Transportation Authority of Marin

February 23, 2006

TO: Transportation Authority of Marin Commissioners

FROM: Dianne Steinhauser, Executive Director

RE: TAM Benefit Options and Human Resources Choices, Item 7

Dear Commissioners:

Executive Summary

At the TAM Board meeting of December 15th, approval was received for TAM staff to proceed on the hiring of two critical positions within the TAM permanent staffing structure: the Finance Manager, and the Clerk to the Board/Executive Assistant. With recruitment underway for these two critical positions, and with three additional positions pending approval, it has become paramount to adopt a suite of benefits and a mechanism to administer those benefits that will enable the TAM Executive Director to hire permanent staff. A strategy for both a benefit package and the administration of benefits and insurance and other personnel needs should be adopted by the Board. To that end, staff is presenting for the Board's consideration, options to consider regarding benefits, insurance, and human resource management.

At the Exec Committee meeting of February 8th, staff reviewed the option of continuing with Local Government Services/ Regional Government Services as the TAM hiring entity and benefit and insurance provider, versus proceeding with inhouse benefit and insurance provision, and human resource management. The Executive Committee authorized TAM staff to bring the following recommendation to the full Board for action. **Recommendation: That the Board adopt the suite of benefits outlined herein, consistent with the marketplace for transportation professionals. The Board directs TAM staff to pursue a contract/contract amendment with Local/ Regional Government Services, LGS/RGS, to act as the Employer of Record for TAM staffing purposes, providing insurance, benefits, payroll services, and human resource management needs to TAM. The LGS/RGS contract shall be brought back to the TAM Board for approval at the March or April meeting. The agreement with LGS/RGS shall be for a minimum of approximately 30 months, with a reassessment to be presented to the Board in FY 2007-08.**

Over the past 6 months, TAM staff has explored a variety of employee benefit and human resource self-administration options. In being able to proceed on hiring staff, TAM will need to have in place the following mandatory elements:

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- all mandatory insurance requirements including Worker's Compensation Insurance, Errors and Omissions insurance, Commercial General Liability Insurance, unemployment insurance
- health and retirement benefits
- required personnel policies and procedures

TAM's current Executive Director has not been hired as a direct employee of TAM, but rather has been hired through Local Government Services, a Joint Powers Authority. LGS and its Executive Director, Richard Averett, has established a model thru LGS whereby small agencies can temporarily or even permanently hire staff, obtain the necessary insurance, and provide for the full range of necessary human resource services in a more efficient fashion, freeing up management staff to deal with more pressing issues for a small agency, and that agency to not invest in human resources staffing.

Staff has conducted a comprehensive review of what it would cost for TAM to self-administer all benefits, insurance and human resources services as the Employer of Record compared to what it would cost to use LGS/RGS for benefits, insurance, and necessary administrative functions.

Insurance Must-Haves

In order to be able to serve as the Employer of Record, there are a number of mandatory insurance elements that TAM must have in place:

Workers' Compensation Insurance (staff)
Liability Insurance (Board members and staff)
State Unemployment Insurance
Property Insurance (TAM office)

TAM has obtained quotes for these options and included these in the cost comparison between TAM and what LGS/RGS can offer. TAM's current coverage through LGS for its Executive Director includes Worker's Compensation, Professional Liability/ Errors and Omissions, and General Liability. This will also be necessary for all new staff. Insurance for such a small agency as TAM is not as cost-effective as obtaining insurance through a larger agency as the LGS/RGS JPA. Note also that LGS/RGS has established insurance and a track record of performance that adds to their being more cost-effective.

What TAM does not have is Professional Liability/ Errors and Omissions and General Liability insurance /Occurrence coverage for TAM as an agency and its Board members. TAM will seek to get this insurance as quickly as possible after the Board acts on an insurance and benefits package, as it is necessary for the Board to have. The cost of this will be an added cost to either the TAM self-administer or the LGS/RGS option of administering TAM's benefits and human resource needs.

Benefit Must-Haves

It will difficult for TAM to attract quality professionals in the transportation industry unless a reasonable benefit package is in place. TAM staff has researched and recommend a reasonable suite of benefits for the Board's consideration. This reasonable suite of benefits is substantially the same as the benefit package the Board agreed to for its Executive Director upon her hiring in July 2005.

In the benefit package recommended for Board consideration are the following:
Retirement (PERS)
Health insurance coverage
Dental insurance coverage
Vision care coverage

Competitive agencies to TAM hiring from the same pool of professionals also offer the following as benefits to staff:
The employee share of PERS covered by the employer (7%)
Life Insurance
Disability Insurance
Employer contribution to Deferred Compensation

The first element of paying the employee's share of the CalPERS retirement formula is a strong attractor to hiring staff. TAM has been adopted as a subgroup under LGS PERS plan, when TAM hired its Executive Director through LGS. The employee share of PERS is currently part of the LGS subgroup coverage for the Executive Director and would have to be part of the LGS contract with all other staff if the staff is hired through LGS. Note also that market comparison surveying has indicated that a number of agencies choose this option. Our surveying demonstrates that this is becoming increasingly a mandatory part of a benefit suite. The second two elements, Life Insurance and Disability Insurance, are very modest costs to the employer. TAM staff recommend including these in the benefit suite. The latter element of an employer match to a Deferred Compensation plan, TAM staff recommends this be considered in the future, as a tool for future employee benefit enhancement. Note that in July 2004, the TAM Board approved a Deferred Comp plan through PERS for employees to participate on their own. This will remain an option for upcoming staff hires.

There is significant competition recently for experienced transportation professionals. This is only going to increase with a number of sister agencies in the Bay Area expanding and transportation funding on the rise. Particularly in the arena of transportation programming and planning, the skill set we are trying to attract will be a challenge, coupled by the cost of living in Marin County, and our somewhat isolated location. Adopting this suite of benefit options, along with competitive salaries, will ensure that TAM can compete well in the marketplace of transportation professionals.

Benefit and Human Resource Administration options

Staff has thoroughly examined the option of self-administering its insurance, benefits, and human resource responsibilities versus having these administered through LGS. It is important to note that under the self-administer option; the cost to acquire and offer some of these employee benefits varies with the level of benefit and availability. Due to the small size of the agency, it will be difficult to find and negotiate cost effective solutions to providing certain benefits to employees as a solo agency, such as vision, dental, long term/short term disability, and employee assistance programs. Typically, employee benefit providers have a minimum “number of employees” requirement prior to contracting with an agency. Smaller agencies have worked through this issue in creative ways such as providing an annual lump sum payment, or a benefit stipend to employees estimated at benefits cost, or forming joint power agreements with other entities to create a larger employee pool. LGS has created a larger pool and so can offer certain services and benefits at a reduced rate to what TAM could offer.

The biggest difference between the self-administer option and the LGS option is the PERS actuarial rate or “retirement rate”. For LGS, the retirement contribution rate is 12.5%. For TAM, PERS has estimated this at 7.6%. The difference is due to LGS having retirees and TAM not having them yet.

The second biggest difference between the self-administer option and the LGS option is the upfront costs TAM will experience in finalizing the set-up of critical policies and procedures, and the ongoing cost of administering human resource needs. Efforts here involve a number of tasks TAM has not yet completed, including personnel policies and procedures, mandatory federal and state reporting upon set-up, and payroll tax reporting requirements. TAM will no doubt need to have ongoing staff or consultant support for human resource needs. LGS would provide all of these support elements on an ongoing basis as they do now for the Executive Director.

Regardless of the retirement rate difference, after an analysis comparing the two options, staff have concluded that it is more cost-effective and timely to use LGS as the hiring entity for TAM, providing direct benefits, insurance, payroll services, and personnel policy support and management. See the attached brief summary.

Under the LGS option, LGS provides ongoing human resource management services, benefits administration, insurance, and payroll services, minimizing TAM staff time and expertise necessary to effectively manage everyday HR needs. As well, LGS has the necessary personnel policies in place, covering the applicable federal and state laws. The costs for both of these elements are already included in LGS fee.

Staff recommends that LGS be utilized as the hiring agent for TAM, providing all applicable benefits and services. This arrangement will be in place for the remainder of FY 2005-06, and all of Fiscal Years 2006-07 and 2007-08, roughly 30 months. At the end of 18 months, in FY 2007-08, staff will conduct a review of the contractual agreement with LGS, assessing if the arrangement is still the best option for TAM. Changes to benefits, services, and human resource management services will then be considered, if appropriate, for FY 2008-09 and beyond. Staff will negotiate a contract/contract amendment with LGS, to come back to the Board for approval.

Budget Capacity

Staff is nearing completion of the FY 2005-06 Budget and is finalizing a FY 2006-07 Draft Budget. Review of confirmed revenues indicates that the benefit suite recommended, in concert with both approved and upcoming proposed salary levels for TAM’s FY 2006-07 staffing plan, fit well within the budget capacity TAM will have for many years to come. Note that any fluctuating or conditional revenues have not been counted on in the analysis. This information will be presented in more detail to the TAM Board in March.

Recommendation: That the Board adopt the suite of benefits outlined above, consistent with the marketplace for transportation professionals. The Board directs TAM staff to pursue a contract/contract amendment with Local/ Regional Government Services,

LGS/RGS, to act as the Employer of Record for TAM staffing purposes, providing insurance, benefits, payroll services, and human resource management needs to TAM. The LGS/RGS contract shall be brought back to the TAM Board for approval at the March or April meeting. The agreement with LGS/RGS shall be for a minimum of approximately 30 months, with a reassessment to be presented to the Board in FY 2007-08.

Attachment: Comparison of LGS/RGS and TAM projected costs

LGS/RGS projected services costs		
Overall adm fees on annual basis (Exec Director)	includes related insurance, services, and staffing related coverage	$19,400
$12,500 annually for each additional employee	2 additional staff	$25,000
Approximate Benefits Costs	includes retirement employer & employee portion at 19.449%	$125,842
	yearly	**$170,242**
	monthly	**$14,187**

TAM projected benefits costs		
projected administration costs (in-house)	$48,100	
yearly benefits estimated (includes retirement)	$93,160	
Payroll services	$16,000	
yearly insurance & services	$29,000	includes unemployment tax
yearly	**$186,260**	
monthly	**$15,522**	

Associated in-house staff-time costing estimates:		**$33,100 annually in staff time estimated**
Finance Manager:	10%	11,100
Executive Assistant	25%	14,500
Executive Director:	15%	22,500
	Total	48,100

ABOVE COSTING EXCLUDES ANNUAL SALARIES

estimated costs for two added employees to

			admin	salary	benefits
	Executive Director	12 mo	19,400	150,000	60,000
March 06 start date	Finance Manager	6 mo	12,500	55,500	22,200
March 06 start date	Executive Assistant	6 mo	12,500	29,000	11,600